

CLIMATE CHANGE SCOPING PLAN

State of California
Air Resources Board

Resolution 08-47

December 11, 2008

Agenda Item No.: 08-10-2

WHEREAS, the Legislature has enacted the Global Warming Solutions Act of 2006 (AB 32; Health and Safety Code section 38500 et seq.), which declares that global warming poses a serious threat to the environment of California and creates a comprehensive multi-year program to reduce greenhouse gas (GHG) emissions that cause global warming;

WHEREAS, the adverse impacts of climate change include more droughts, more frequent and extreme heat waves, erratic storm and flood events, decreases in winter snowpack, a rise in sea level, increases in water temperatures, an increase in coastal erosion, intrusion of sea water, an increase in the duration of wildfire season, and increased occurrences of unhealthy ozone levels;

WHEREAS, climate change mitigation and adaptation measures can be complementary and are often intricately linked;

WHEREAS, AB 32 designates the Air Resources Board (ARB or Board) as the State agency charged with monitoring and regulating sources of GHG emissions in California in order to reduce these emissions;

WHEREAS, section 38561(a) of the Health and Safety Code directs the Board, on or before January 1, 2009, to prepare and approve a Scoping Plan for achieving the maximum technologically feasible and cost-effective reductions in GHG emissions by 2020;

WHEREAS, section 38561(a) of the Health and Safety Code also requires ARB to consult with all State agencies having jurisdiction over sources of GHGs on all elements of the Scoping Plan that pertain to energy-related matters, to ensure reduction activities adopted and implemented by ARB are complementary, non-duplicative and can be implemented in an efficient and cost-effective manner;

WHEREAS, section 38561(b) of the Health and Safety Code requires the Scoping Plan to identify and make recommendations on direct emission reduction measures, alternative compliance mechanisms, market-based compliance mechanisms, and potential monetary and nonmonetary incentives for sources and categories of sources

that the Board finds necessary or desirable to facilitate the achievement of the maximum feasible and cost-effective reductions of GHG emissions by 2020;

WHEREAS, section 38561(c) of the Health and Safety Code requires ARB to consider all relevant information pertaining to greenhouse gas emissions reduction programs in other states, localities, and nations, including the northeastern states of the United States, Canada and the European Union in making the determinations required in Health and Safety Code section 38561(b);

WHEREAS, section 38561(d) of the Health and Safety Code requires ARB to evaluate the total potential costs and total potential economic and noneconomic benefits of the Scoping Plan to California's economy, environment, and public health, using the best available economic models, emissions estimation techniques, and other scientific methods;

WHEREAS, section 38561(e) of Health and Safety Code requires ARB, in developing its plan, to take into account the relative contribution of each source or source category to statewide GHG emissions, and the potential for adverse effects on small businesses, and to recommend a de minimis threshold of GHG emissions below which emission reduction requirements will not apply;

WHEREAS, section 38561(f) of the Health and Safety Code requires ARB, in developing its plan, to identify opportunities for emission reductions measures from all verifiable and enforceable voluntary actions, including, but not limited to, carbon sequestration projects and best management practices;

WHEREAS, section 38561(g) of the Health and Safety Code requires ARB to conduct a series of public workshops to give interested parties an opportunity to comment on the Scoping Plan, and that a portion of these workshops should take place in regions that have the most significant exposure to air pollution, including, but not limited to communities with minority populations, communities with low-income populations, or both;

WHEREAS, section 38652(b) of the Health and Safety Code requires ARB, in adopting greenhouse gas regulations, to the extent feasible and in furtherance of achieving the statewide greenhouse gas emissions limit, to design the regulations in a manner that is equitable and seeks to minimize costs and maximize the total benefits to California; ensure that activities taken to comply with the regulations do not disproportionately impact low-income communities; ensure that activities undertaken pursuant to the regulations complement efforts to achieve and maintain ambient air quality standards and to reduce toxic air contaminant emissions; consider the cost-effectiveness of the regulations; consider overall societal benefits; minimize administrative burden; and minimize leakage;

WHEREAS, section 38565 of the Health and Safety Code requires ARB to ensure that greenhouse gas emission reduction rules, regulations, programs, mechanisms and

incentives under ARB's jurisdiction, where applicable and to the extent feasible, direct public and private investment toward the most disadvantaged communities in California;

WHEREAS, sections 39600 and 39601 of the Health and Safety Code authorize the ARB to adopt standards, rules and regulations and to do such acts as may be necessary for the proper execution of the powers and duties granted to and imposed upon the ARB by law;

WHEREAS, ARB has adopted and is implementing numerous programs to reduce criteria pollutants, diesel particulate, and air toxics emissions, including the 2007 State Implementation Plan, the Goods Movement Emissions Reduction Plan, and the Diesel Risk Reduction Plan;

WHEREAS, local air pollution control and air quality management districts are currently responsible for implementing many programs that regulate air pollution from stationary and area sources;

WHEREAS, the Board acknowledges the importance of ensuring adequate and reliable energy supplies while the State implements AB 32;

WHEREAS, in preparing the Proposed Scoping Plan, ARB staff considered advice and input from the Environmental Justice Advisory Committee and the Economic and Technology Advancement Advisory Committee;

WHEREAS, in June 2008 ARB staff prepared and circulated for public review a *Draft Climate Change Scoping Plan* (Draft Plan); staff then held three public workshops to discuss the Draft Plan, considered public comments received on the Draft Plan, and modified the Draft Plan in response to these comments;

WHEREAS, in October 2008 ARB staff prepared and circulated for public review a *Proposed Climate Change Scoping Plan*, in accordance with the requirements set forth in Health and Safety Code section 38561;

WHEREAS, the California Environmental Quality Act (CEQA) requires that no project which may have significant adverse environmental impacts may be adopted as originally proposed if feasible alternatives or mitigation measures are available to reduce or eliminate such impacts, unless specific overriding considerations are identified which outweigh the potential adverse consequences of any unmitigated impacts;

WHEREAS, CEQA allows public agencies to prepare a plan or other written documentation in lieu of an environmental impact report (i.e., a functional equivalent environmental document), once the Secretary of the Resources Agency has certified an agency's regulatory program pursuant to section 21080.5 of the Public Resources Code;

WHEREAS, pursuant to section 21080.5 of the Public Resources Code, the Secretary of the Resources Agency has certified that portion of ARB's regulatory program that involves the adoption, approval, amendment, or repeal of standards, rules, regulations, or plans;

WHEREAS, Board regulations under ARB's certified regulatory program provide that prior to taking final action on any proposal for which significant environmental issues have been raised, the decision maker shall approve a written response to each such issue;

WHEREAS, on October 15, 2008, ARB staff prepared and circulated for public review, in accordance with CEQA and Board regulations, a functional equivalent environmental document which is set forth in Appendix J to the *Proposed Climate Change Scoping Plan*;

WHEREAS in consideration of the *Proposed Climate Change Scoping Plan*, the written and oral testimony presented by the public, industry and government agencies, and the environmental documentation prepared by Board staff, the Board finds that:

1. ARB staff has consulted with all State agencies, including the Public Utilities Commission (PUC) and the State Energy Resources Conservation and Development Commission (CEC), having jurisdiction over sources of greenhouse gases on all elements of the Plan that pertain to energy-related matters, as required by Health and Safety Code section 38561(a);
2. ARB has carefully considered the joint opinion adopted by the PUC and CEC on October 17, 2008, which recommends strategies to help reduce greenhouse gas emissions from the electricity and natural gas sectors;
3. The recommendations in the *Proposed Scoping Plan* are necessary or desirable to facilitate the achievement of the maximum feasible and cost-effective reductions of greenhouse gas emissions by 2020;
4. ARB has considered all relevant information pertaining to greenhouse gas emissions reduction programs in other states, localities, and nations, including the northeastern states of the United States, Canada and the European Union, as provided in Health and Safety Code section 38561(c);
5. ARB staff prepared an analysis to evaluate the total potential costs and total potential economic and noneconomic benefits of the *Proposed Climate Change Scoping Plan* to California's economy, environment, and public health; this analysis was prepared using the best available economic models, emissions estimation techniques, and other scientific methods, as required by Health and Safety Code section 38561(d);

6. In developing the *Proposed Climate Change Scoping Plan*, ARB took into account the relative contribution of each source or source category to statewide GHG emissions, and the potential for adverse effects on small businesses, as provided in Health and Safety Code section 38561(e);
7. The *Proposed Climate Change Scoping Plan* recommends a de minimis threshold of GHG emissions below which emission reduction requirements will not apply, as provided in Health and Safety Code section 38561(e);
8. The *Proposed Climate Change Scoping Plan* identifies opportunities for emission reductions measures from all verifiable and enforceable voluntary actions, as provided in Health and Safety Code section 38561(f);
9. In accordance with Health and Safety Code section 38561(g), ARB staff organized over 250 public workshops, workgroup events and formal meetings throughout the State, and participated in over 350 meetings and conferences involving external stakeholders, including workshops in regions of the state that have the most significant exposure to air pollutants;
10. The *Proposed Climate Change Scoping Plan* meets all of the requirements of AB 32.

WHEREAS, pursuant to the requirements of the California Environmental Quality Act and the Board's regulations under its certified regulatory program, the Board further finds that:

11. ARB staff prepared a functional equivalent environmental document for the *Proposed Climate Change Scoping Plan* which indicates that there may be potential adverse environmental impacts from the measures included in the Plan; however, these impacts are speculative and cannot be quantified or further described until the details of the measures are developed and set forth in actual proposed regulations;
12. The Board has considered alternatives to the measures identified in the *Proposed Climate Change Scoping Plan* and has identified no feasible alternatives at this time which would reduce or eliminate any potential adverse environmental impacts, while at the same time ensuring that necessary reductions in greenhouse gas emissions will be achieved;
13. At this time there are no feasible mitigation measures that ARB can impose to lessen the potential adverse impacts of the *Proposed Climate Change Scoping Plan* on the environment, and no less stringent alternatives that will accomplish the goals imposed by AB 32 with fewer potential environmental impacts;

14. None of modifications to the *Proposed Climate Change Scoping Plan* alter any of the conclusions reached in the functional equivalent environmental document, or would require recirculation of the document as provided in CEQA Guidelines section 15088.5;
15. The potential adverse environmental impacts of the measures included in the *Proposed Climate Change Scoping Plan* are outweighed by the substantial reduction in greenhouse gas emissions and public health benefits that will result from their adoption and implementation;
16. The considerations identified above override any adverse environmental impacts that may occur from adoption and implementation of the *Proposed Climate Change Scoping Plan*;
17. As regulations implementing the *Proposed Climate Change Scoping Plan* are developed, detailed environmental impact analyses, including a discussion of regulatory alternatives and mitigation measures, will be performed as part of the rulemaking process;
18. As regulations implementing the *Proposed Climate Change Scoping Plan* are developed, specific economic impact analyses will be performed in conjunction with the rulemaking process and will be considered by the Board in acting on those regulations;
19. In accordance with Public Resources Code 21081(a)(2), for Scoping Plan measures that are within the responsibility and jurisdiction of another public agency, that agency shall be responsible for completing the appropriate environmental review and, with respect to each significant effect identified in the environmental review, shall be responsible for adopting feasible changes or alterations to the measures to mitigate or avoid, as appropriate, the significant environmental effects that have been identified. An initial list of agencies responsible for Plan measures is included in Appendix C of the Plan.
20. ARB regulations which have been adopted and are included in the measures recommended in the *Proposed Climate Change Scoping Plan* were subjected to environmental review by the Board at the time of their adoption and no further analysis is required at this time; and
21. The Executive Officer is the decision maker for the purposes of responding to environmental issues raised on the *Proposed Climate Change Scoping Plan*, and by approving this Resolution 08-47 the Board is not prejudging any of the responses that will be made by the Executive Officer to these environmental issues.

NOW, THEREFORE, BE IT RESOLVED, that subject to the Executive Officer's approval of written responses to environmental issues that have been raised, the Board is initiating steps toward the final approval of the *Proposed Climate Change Scoping Plan* and its Appendices, as set forth in Attachments A and B hereto, with the modifications identified at the December 11, 2008 public hearing.

BE IT FURTHER RESOLVED that the Executive Officer is the decision maker for the purposes of title 17, California Code of Regulations, section 60007; the Board directs the Executive Officer to prepare and approve written responses to all significant environmental issues that have been raised, and then to either: (1) return the *Proposed Climate Change Scoping Plan* to the Board for further consideration if it is determined that such action is warranted, or (2) take final action to approve the *Proposed Climate Change Scoping Plan* with the modifications identified at the December 11, 2008 public hearing, any conforming modifications that may be appropriate, and any modifications that are necessary to ensure that all feasible measures or feasible alternatives that would substantially reduce any significant adverse environmental impacts have been incorporated into the final action.

BE IT FURTHER RESOLVED that once final action has been taken by the Executive Officer to approve the *Climate Change Scoping Plan*, as agreed to and modified by the Board, the Board directs the Executive Officer to make the modified Plan available to the public.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to perform the environmental analyses required by CEQA in conjunction with future rulemaking actions to implement the *Climate Change Scoping Plan*, and to ensure that the potential environmental impacts identified in the Plan, and any other impacts are subsequently identified, are avoided or mitigated to the extent feasible.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to ensure that the requirements of Health and Safety Code section 38562(b) are met for all proposed regulations to implement the *Climate Change Scoping Plan*, and that the requirements of Health and Safety Code section 38570(b) are met for all proposed regulations to implement market-based compliance mechanisms.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to design greenhouse gas regulations that affect stationary sources so that they utilize, to the extent practicable and appropriate, local air district permitting programs and compliance determination mechanisms.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to provide funding to the local air districts using State funding mechanisms to reimburse districts for involvement in specific, identified activities related to implementation and enforcement of greenhouse gas emission reduction measures.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to develop a joint workplan with the local air districts to define how to efficiently and effectively implement and administer the Scoping Plan.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to develop a program to provide GHG emissions verifier training without cost to District staff who meet required education and experience qualifications.

BE IT FURTHER RESOLVED that the Board recognizes that emission sources subject to ARB's mandatory reporting regulation must report directly to the State and directs the Executive Officer to develop a software tool that will allow the export of data to the districts.

BE IT FURTHER RESOLVED that the Board recognizes that consistent implementation and enforcement of greenhouse gas emission reduction programs is crucial to minimize administrative burdens and that the future cap-and-trade program, including reporting and verification of offsets, should be administered at the state level.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to establish a working group of public health agencies, including, but not limited to, the Department of Public Health, the Office of Environmental Health Hazard Assessment, and local public health agencies, to review and provide input to the staff on proposed greenhouse gas reduction measures.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to develop a methodology using available information to assess the potential cumulative air pollution impacts of proposed regulations to implement the Scoping Plan.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to identify communities already adversely impacted by air pollution as specified in Health and Safety Code section 38570 (b)(1) before the adoption of a cap-and-trade program.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to design the implementation of AB 32, including the cap-and-trade system, to complement California's criteria and toxic air contaminant programs and be consistent with ARB's environmental justice policies, in furtherance of achieving the statewide greenhouse gas emissions limit.

BE IT FURTHER RESOLVED that the Board recognizes that through the SB 375 (Stats. 2008, Chapter 728) process, local governments and transportation agencies are key partners in ARB's efforts to reduce greenhouse gas emissions, that improved land use and transportation planning is needed to provide Californians with affordable, high quality options for housing and mobility that will

result in reduced greenhouse gas emissions, and that the greenhouse gas reductions associated with more sustainable growth will increase over time.

BE IT FURTHER RESOLVED that the Board recognizes that the technical work of the SB 375 Regional Targets Advisory Committee (RTAC) is critical to building a solid foundation for Board consideration of regional targets.

BE IT FURTHER RESOLVED that as input to the SB 375 target setting process, the RTAC should recommend a method to evaluate the full potential for reducing greenhouse gas emissions in each major region of the state, and statewide, using improved land use patterns, indirect source rules, enhanced bike, walk, and transit infrastructure, and pricing policies where applicable (including congestion, toll, and parking pricing). This evaluation should be done for 2020 and 2035, employ the best available data and models, and identify barriers to achieving this full potential.

BE IT FURTHER RESOLVED that it is the Board's intent that the greenhouse gas emission reductions associated with the SB 375 regional targets represent the most ambitious achievable targets. The estimated reductions in the Scoping Plan will be adjusted to reflect the outcome of the Board's decision on SB 375 targets.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to solicit input from experts to advise ARB on its continuing evaluation of the economic effects of implementing AB 32, including identification of additional models or other economic analysis tools that could be used in the ongoing economic analysis. This will include opportunities for interested parties to share their economic modeling results.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to consider the effects of the program on the overall California economy as staff develops the cap-and-trade regulations and to take into account the joint opinion adopted by the PUC and the CEC on October 17, 2008, while recognizing that the joint opinion was developed based on consideration of the electricity and natural gas sectors, and that the recommendations in the opinion may need to be adapted to meet the needs of the California economy as a whole.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to solicit expert input on key questions related to the distribution or auction of allowances and the use of revenue.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer, as part of the cap-and-trade rulemaking, to consider the economic implications of different cap-and-trade program design options, including:

- various scenarios for allowance distribution (percent auction vs. free distribution, method of distribution);

- various scenarios for the use of auction revenue;
- the initial cap level and the rate of decline of the cap over time;
- the potential supply of offsets within and outside California; and
- the economic and co-benefit effects of limits on the use of offsets.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to coordinate the economic analysis of California's AB 32 program with the analysis conducted for the Western Climate Initiative.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to work with California small businesses during the development of Scoping Plan regulations, to consider the size of the business and type of industry in developing the regulations, and to identify financing programs that could help alleviate costs to small businesses.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to work with the CEC, the PUC and other agencies, as appropriate, to ensure that California's energy demands are met, and that the Scoping Plan and AB 32 are implemented in a manner to avoid disproportionate geographic impacts on energy rates.

BE IT FURTHER RESOLVED that the Board is committed to a cap-and-trade program as an important component of California's comprehensive program to achieve greenhouse gas reductions.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to consider the economic and public health impacts of proposed regulations to implement the Scoping Plan, as well as the requirements of section 38562(b) and 38570(b), as appropriate. For sector-specific regulations affecting sources that are also included in the cap-and-trade program, the staff shall also propose findings to identify the reasons that the emission reductions are best achieved using the proposed regulatory approach.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer, by December 31, 2009, to examine and report on:

- estimates of overall costs and savings and the cost-effectiveness of the reductions, including appropriate inclusion of reductions in co-pollutants;
- estimates of the timing of capital investments, annual expenditures to repay those investments, and the resulting cost savings;
- sensitivity of the results to changes in key inputs, including energy price forecasts and estimates of measure costs and savings; and
- impacts on small businesses.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to update the Board on the public health impacts of climate change as well as the impacts of potential measures that may be taken to mitigate climate change.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to report on the status of the Early Action Measures.

BE IT FURTHER RESOLVED that the Board, in coordination with California Environmental Protection Agency and other state agencies, will take responsibility for the tracking of Scoping Plan implementation and the development of accounting systems to promote consistency and avoid double counting of emission reductions, especially across sectors, to ensure achievement of the AB 32 goals.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to report on the status of Scoping Plan implementation to the Board twice a year.

Resolution 08-47

December 11, 2008

Identification of Attachments to Board Resolution 08-47

Attachment A: *Proposed Climate Change Scoping Plan*, released to the public in October 2008.

Attachment B: Appendices A – J to the *Proposed Climate Change Scoping Plan*, released to the public in October 2008.